

Headquarters U.S. Air Force

Integrity - Service - Excellence



Air Force Housing Privatization Industry Forum

U.S. AIR FORCE

**Col Bob Griffin
HQ USAF/ILEH
28 September 2004**



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Agenda

- **Air Force Overview**
- **Current Housing Situation**
- **Requirements and Methodology**
- **Program Successes**
- **Important Partnership**
- **Conclusion**





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A Basic Introduction To The Air Force

**Secretary
of the Air Force**



Dr. James G. Roche

**Chief of Staff
of the Air
Force**



Gen. John P. Jumper



**“The
Secretariat”**

General Counsel

Acquisitions

**Financial
Management**

“The Air Staff”

Civil Engineers

Judge Advocate

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A Basic Introduction





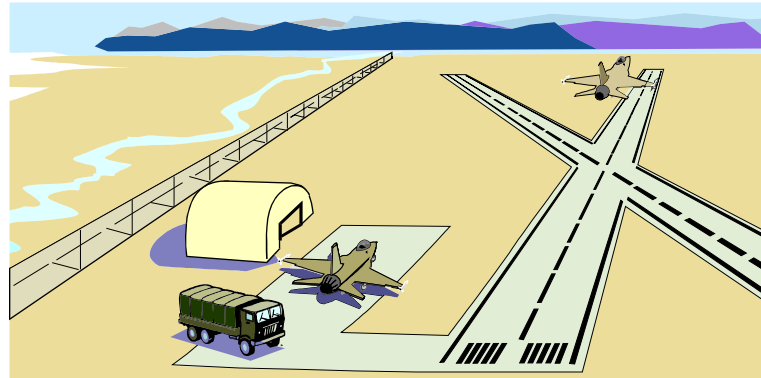
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A Basic Introduction



"MAJCOM"

Base "X"



**Family
Housing**



Major Active Duty Air Force Bases





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AF Housing Goal

Accelerate our ability to provide military families access to safe, quality, affordable, well-maintained housing in a community where they will **CHOOSE to live**



**Local
Community**

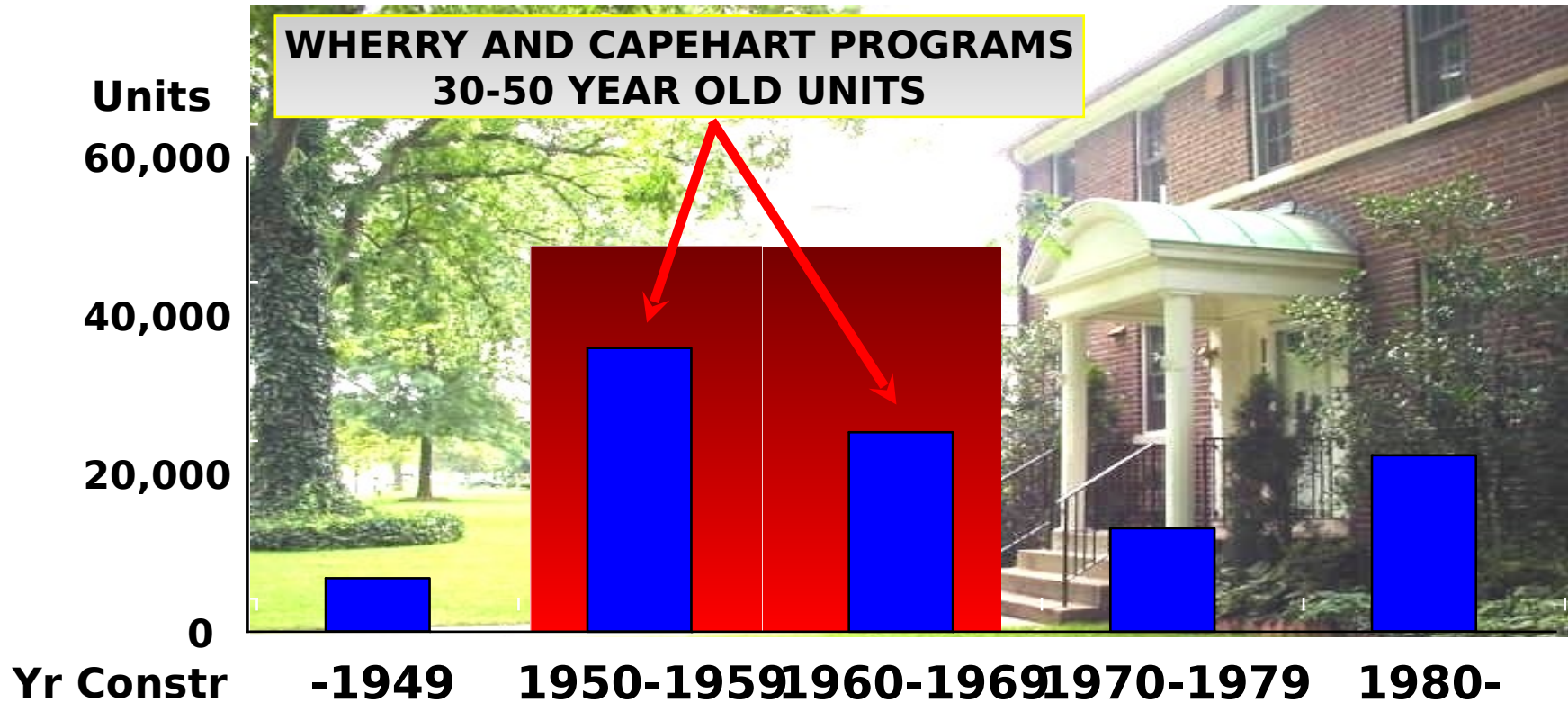
**Housing
Privatization**

MILCON



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Family Housing Age of Inventory



59,000 Inadequate Units (beginning FY02)
46,000 Inadequate Units (beginning FY03)
40,000 Inadequate Units (beginning FY04)



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Family Housing Master Plan (FHMP)

- FHMP is the roadmap for determining housing needs



- Housing Requirements & Market Analysis (HRMA) - Determines on-base housing requirement using OSD market analysis methodology
- Housing Community Profile (HCP) - Independent assessment of housing condition and improvements required to meet AF standards
- Installation FHMP - Rollup of investment, sustainment, and operating costs; decision on privatization viability

- Air Force FHMP - Integrates base plans, prioritizes and



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HRMA Methodology

The AF performs a Housing Requirements & Market Analysis (HRMA) complying with OSD policy to rely on the local community first

- Three major steps within the HRMA methodology:

Identify Military Housing Requirement

- Identify current and projected manpower
- Determine minimum on-base floor requirement

Characterize Local Market Conditions

- Identify market area consistent with BAH data collection area
- Identify current & projected inventory
- Exclude unsuitable housing areas based on crime, condition, safety

Analyze Housing Demand and Supply

- Forecast number of military families the community can absorb over 5 years
 - Based on projected share of affordable units coming available each year
- Identify any market housing shortfall

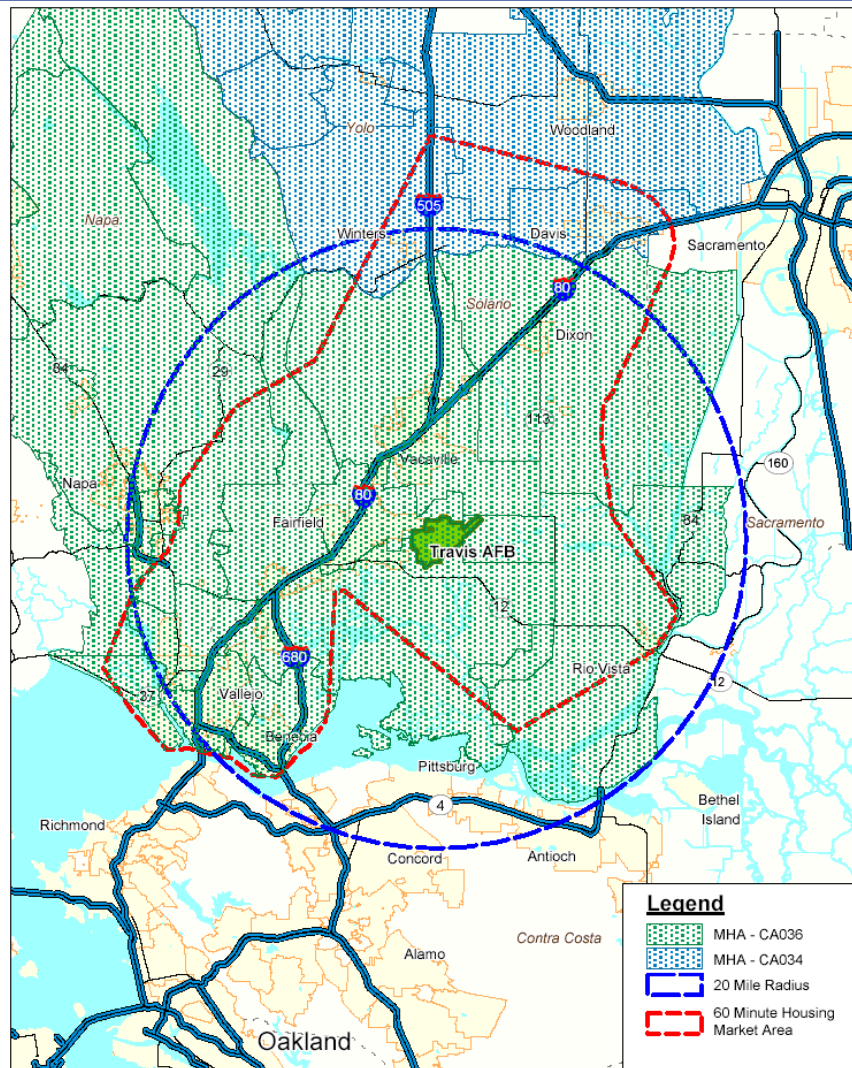
- Total MFH requirement equals “floor” + community shortfall



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Housing Market Area Travis AFB

**Blue and
green
shading
indicate
BAH
survey
areas**





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Air Force Family Housing Requirement

- **Air Force has 102,000 family housing units**
 - **Average age is 32 yrs**
 - **40,000 inadequate**
- **Presidential directive to eliminate inadequate housing by 2007**
- **Traditional Approach is the Military Construction Program:**
\$5.6 Billion over 12 years
(at current funding levels)



“Non-traditional approach to MFH revitalization is required!”



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Where are we now?

At the current rate...

AF may not meet the 2007 goal

PRIVATIZATION IS THE SOLUTION

***1996
Rec'd
Privatization
Authorization***



7,643 units

37,979 units

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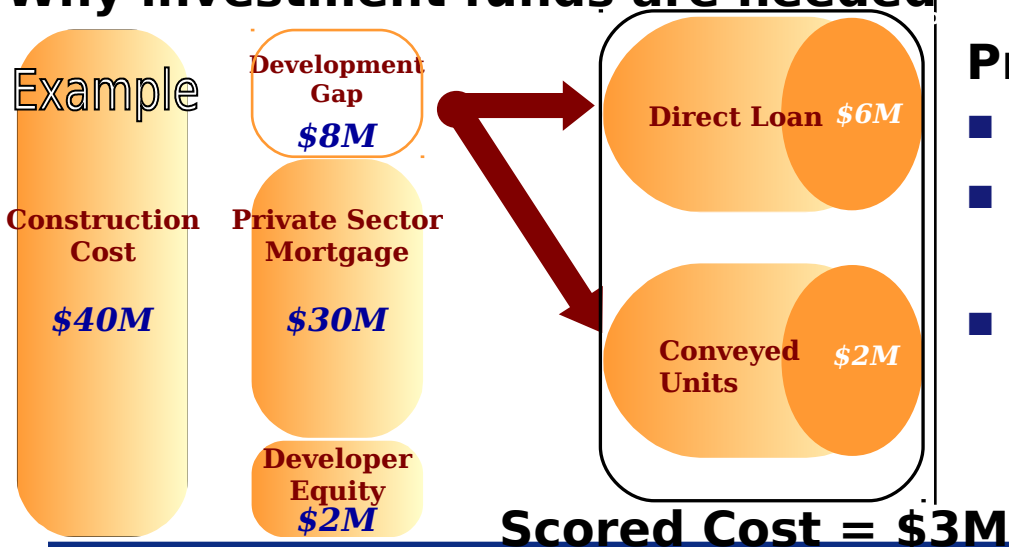
Housing Privatization Air Force Model

- 50 Year Lease
- Gov't May Provide Loan and/or Limited Loan Guarantee
- Basic Allowance for Housing minus Utility allowance is basis for rent
- Military families not required to live there



Lackland AFB, Texas
420 Units - Status:
Complete

Why investment funds are needed



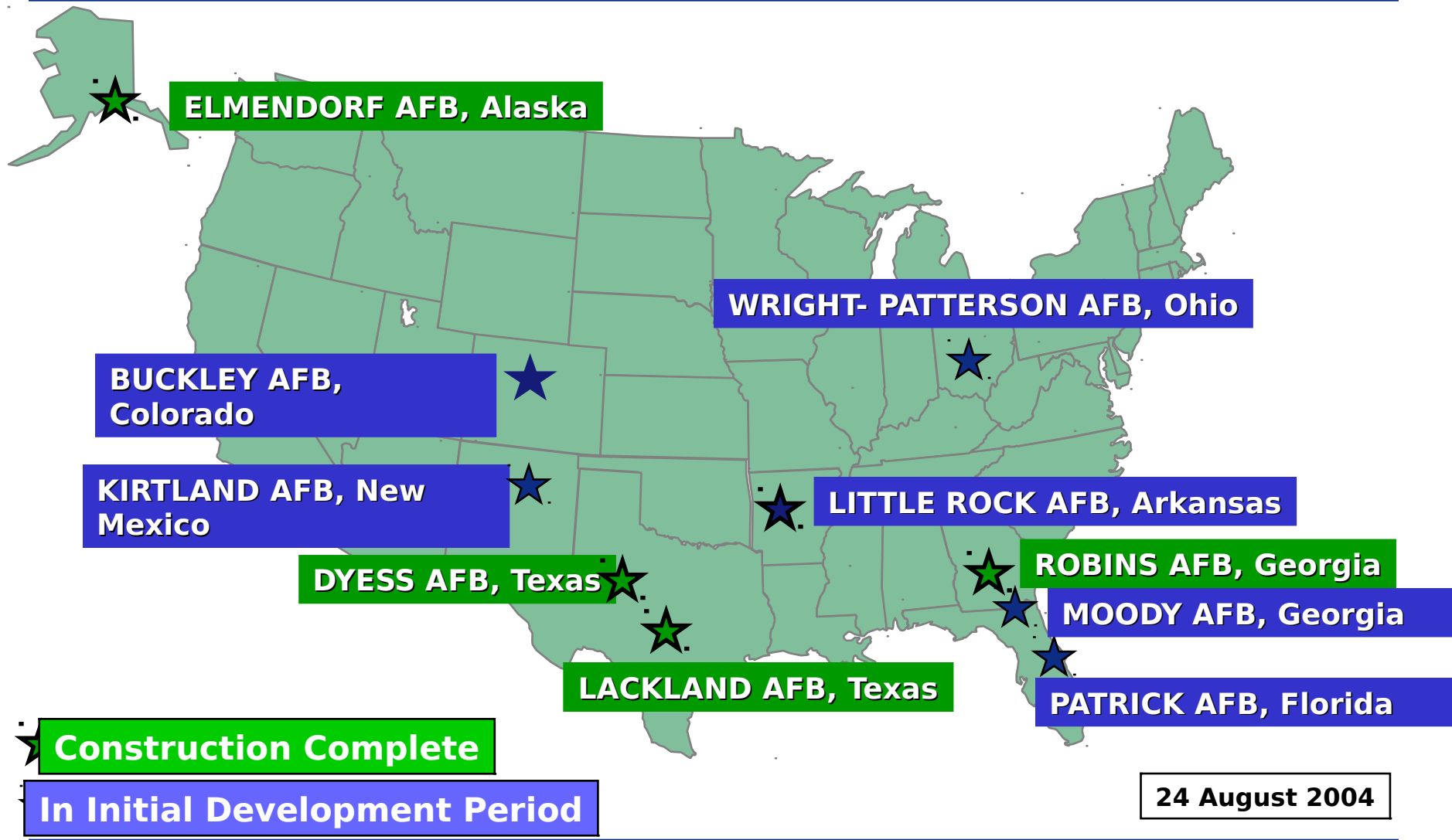
Privatization projects criteria:

- 3:1 Leverage
- Government Loan < Private Loan
- Privatization lifecycle < MILCON



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Awarded Privatization Projects





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Awarded Privatization Projects



Robins AFB



Elmendorf AFB



Dyess AFB



Wright-Patterson AFB



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Awarded Privatization Projects

Total Houses Privatized to Date:

7,643



Lackland AFB



Patrick



**Kirtland
AFB**



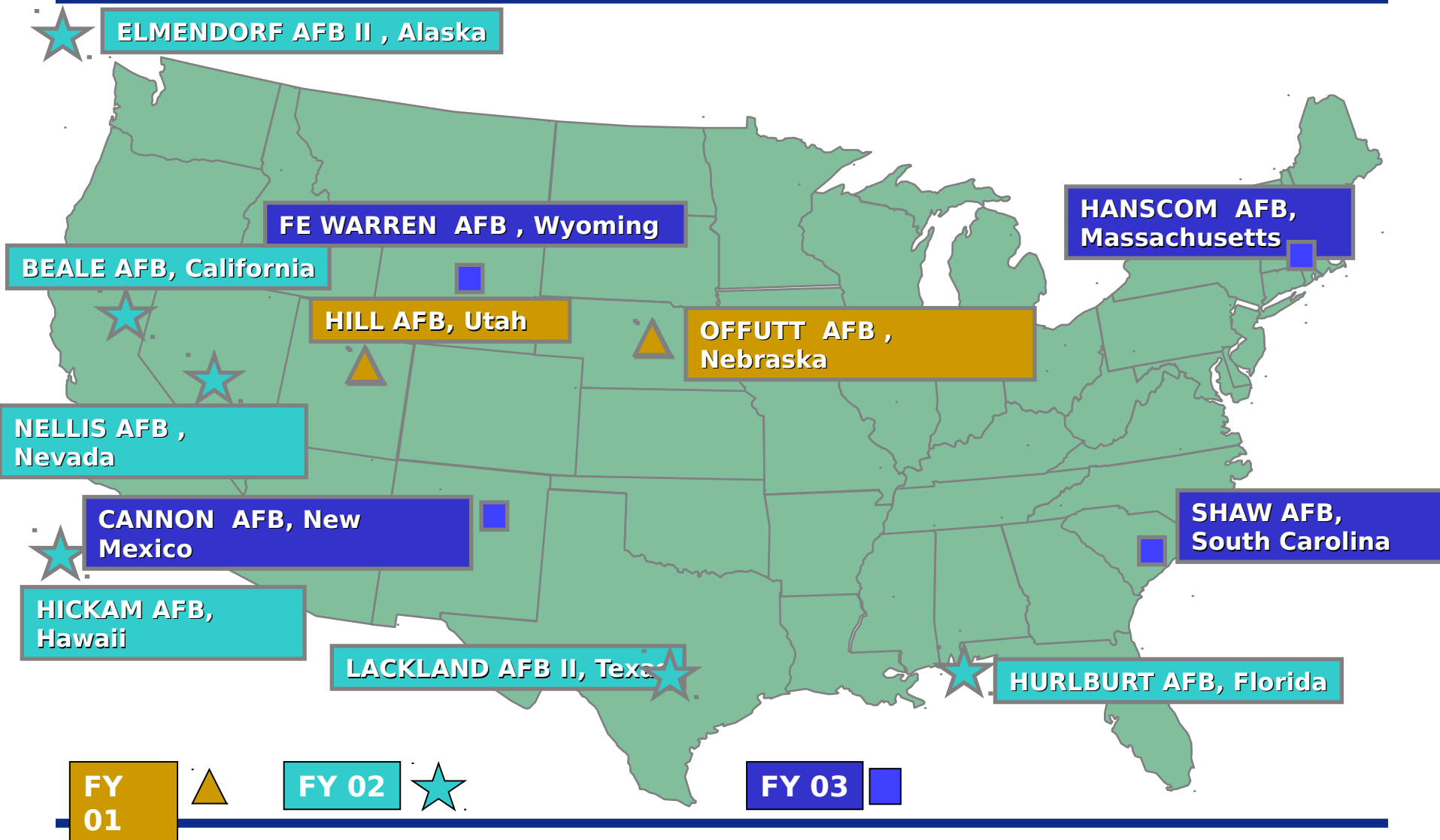
**Moody
AFB**

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Family Housing Privatization Projects Pending Award



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Objectives for Privatized Housing

- **House military families in Air Force communities**
- **No out of pocket costs**
- **Housing grouped by officer/enlisted and grade in community setting**
- **Secure communities**
- **Community activities centered around the ancillary facilities -- playgrounds, sports courts, community center**
- **High standards of appearance**
- **Ability to interact with leadership in town meetings**

-- Retain Military Culture --



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AF Housing Privatization Approach Housing Waterfall

Privatized Housing Priority Placement

- Referred Military Families
- Other Active Duty Military Members
- Federal Civil Service Employees
- Retired Military Members/Family
- Guard and Reserve Military Members/Families
- Retired Federal Civil Service
- DoD Contractors/Permanent Employees (US Citizens)
- General public



Standard RFP Requirement: If a unit is vacant for more than 90 days then the developer can to the "Waterfall" Listing at market rent for a period not to exceed on year



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An Important Partnership

- **The Air Force needs private-sector developers and financiers to make privatization work**
- **“The Deal” is our most important criterion ... and we want you to present the best “deal” you can**
- **This is your forum; please don’t miss an opportunity to ask questions of us and other attendees**



Conclusion

- **The Air Force Privatization Process works**
 - **Can be sized for AF installation requirements**
 - **Ensures AF receives the houses on schedule**
 - **Enables MILCON source to fund scored costs**
 - **Provides controls to ensure success for 50 years**
 - **Extremely positive results with existing projects**
- **AF Housing Privatization Program is moving fast**
- **We need YOUR participation to get us to the goal**



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Contact Information



Open Floor...

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Backups



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Housing Privatization Program Overview

<u>Awarded</u>	<u>Award</u>	<u>FY05</u>	<u>Award</u>	<u>FY06 (cont.)</u>	<u>Award</u>
Lackland	Aug 98	Hill	Nov 04	AETC Grp II	Oct 05
Dyess	Sep 00	Lackland II	Dec 04	(Maxwell, Columbus,	
Robins	Sep 00	Cannon	Jan 05	Keesler, Tyndall)	
Elmendorf I	Mar 01	Eglin/Hurlburt	Mar 05	FE Warren	Dec 05
Wright-Patterson I	Aug 02	Dover	Mar 05	McChord	Dec 05
Kirtland	Apr 03	Langley	Mar 05	Fairchild	Dec 05
Patrick	Oct 03	McGuire	Mar 05	Travis	Dec 05
Moody	Feb 04	AETC Grp 1	Mar 05	Hickam II	Dec 05
Little Rock	Jul 04	(Altus, Luke,		Holloman	Mar 06
Buckley	Aug 04	Sheppard)		AETC Grp II	TBD
		Tinker	Mar 05	(Randolph, Laughlin	
		Shaw	Aug 05	Goodfellow, Vance)	
		Barksdale	Aug 05	USAFA/Peterson	TBD
		Scott	Aug 05		
		Robins II	TBD		
<u>FY04 In Solicitation</u>		<u>FY06</u>	<u>Award</u>		
<u>Award</u>		Wright-Patterson II	Nov 04		
Hickam I	Aug 04				
Offutt	Aug 04				
Elmendorf II	Aug 04				
Beale	Sep 04				
Nellis	Sep 04				
Hanscom	Oct 04				

38 Projects, 49 Bases

44,584 homes

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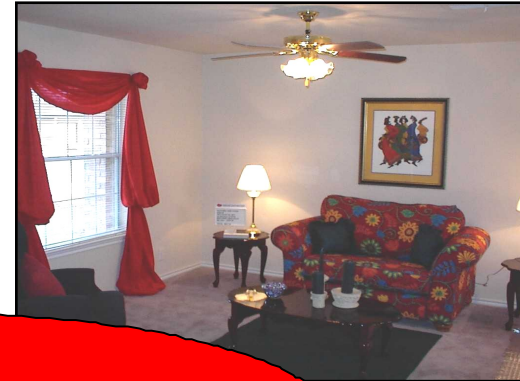


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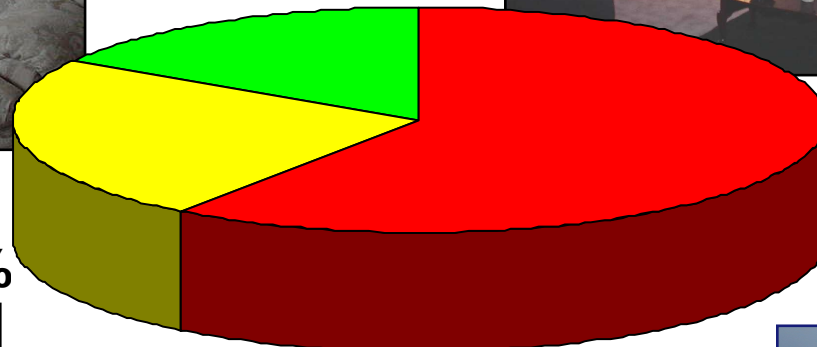
HP Results Where We Will Be in 2007



16%



24%



60%



■ Off-Base ■ Privatized ■ MILCON



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Kirtland AFB Housing





Housing Privatization Program Guidance

- **Privatize where project is economically feasible and standards are met**
 - **Housing must be within 60-minute commute**
 - **Must get at least \$3 construction for each \$1 AF cost (Leverage of 3:1)**
 - **Life-cycle cost must favor privatization over MILCON**
 - **Privatization must be within financial participation limits**
 - **Minimum developer equity investment - 5%**
 - **Maximum government participation - 80%**
 - **Maximum government loan - <50% of total loans**



AF Goal: Housing Excellence

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***“Provide access to
safe, contemporary,
affordable, & adequate
housing on & off
base.”***

CE Strategic Plan, Vol. I

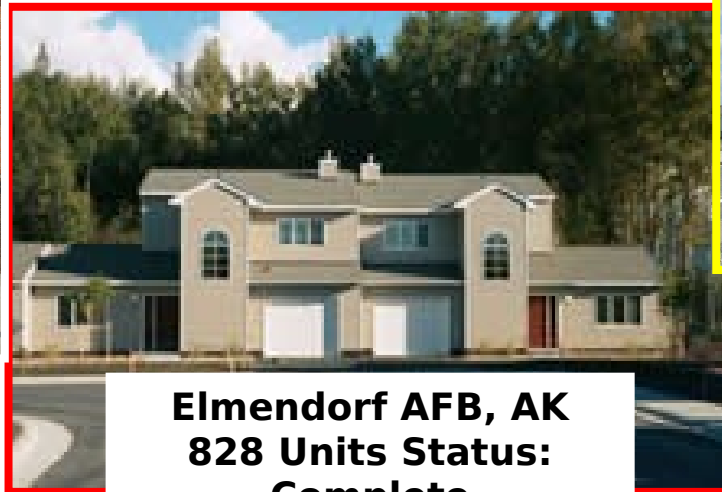




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Air Force Housing Privatization Goal

Accelerate our ability to eliminate inadequate housing units and provide military families access to safe, quality, affordable, well-maintained housing in a community where they will **CHOOSE to live**



**Elmendorf AFB, AK
828 Units Status:
Complete**



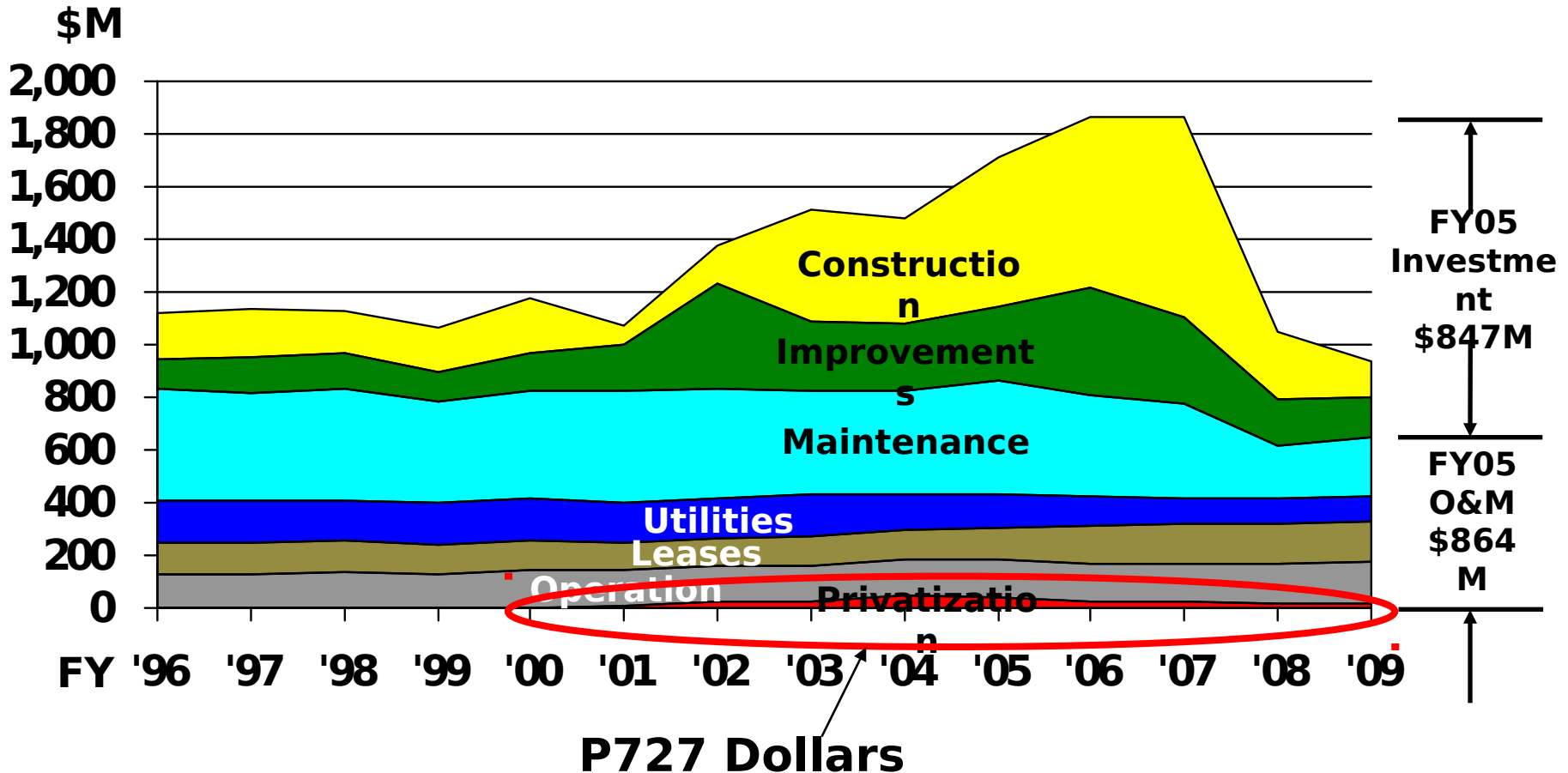
**Robins AFB, GA
670 Units Status :
Complete**



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Military Family Housing Budget

Total FY05 Program: \$1,711M





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Sustain Military Culture in Privatized Housing

- **House military families in Air Force communities**
 - **No out-of-pocket costs**
 - **Housing grouped by officer/enlisted and grade in community setting**
 - **Secure communities**
 - **Community activities centered around ancillary facilities -- playgrounds, sports courts, community center, etc.**
 - **High standards of appearance**
 - **Ability to interact with leadership in town meetings**



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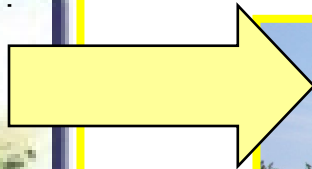
Housing Privatization is a key component of the AF's effort to eliminate inadequate housing



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Air Force Housing Privatization Approach

- **Air Force Model**
- **Life Cycle Cost**
- **Housing Waterfall**





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AF Housing Privatization Approach

~~Life-Cycle Costs~~

Privatization Costs must be greater than or equal to the cost of Government Ownership

■ **Privatization Cost**

Net present value of

- OMB “scored” costs for use of authorities
- BAH payments due to privatization
- Drayage (Moving costs)
- School Impact Aid
- Manpower/Management

■ **Government ownership and management**

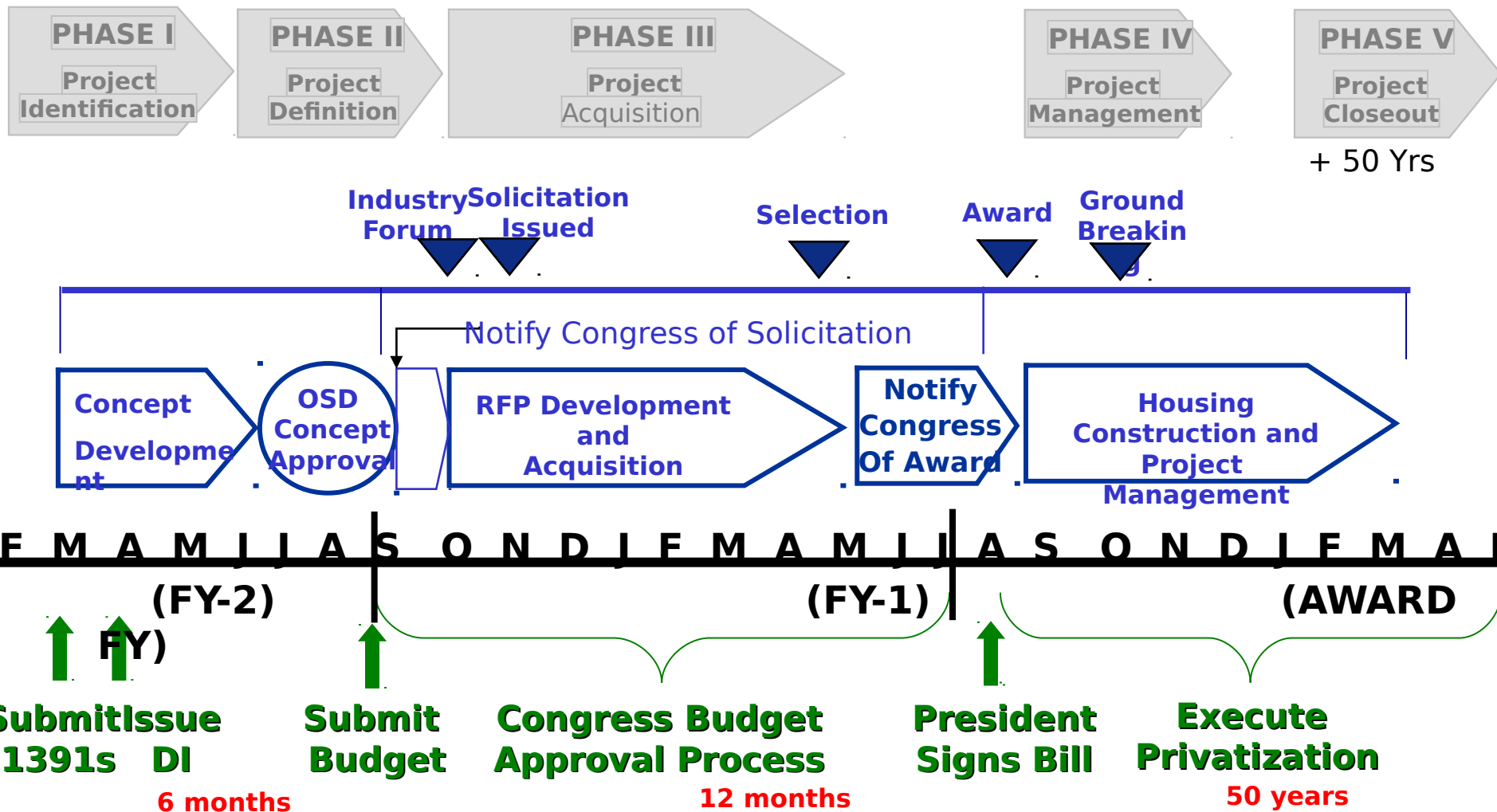
Net present value of

- MILCON
- Maintenance & repair
- Utilities/Services
- Leasing
- Drayage (Moving costs)
- School Impact Aid
- Manpower/Management



AF Housing Privatization Process Timeline

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A 50-year Partnership....

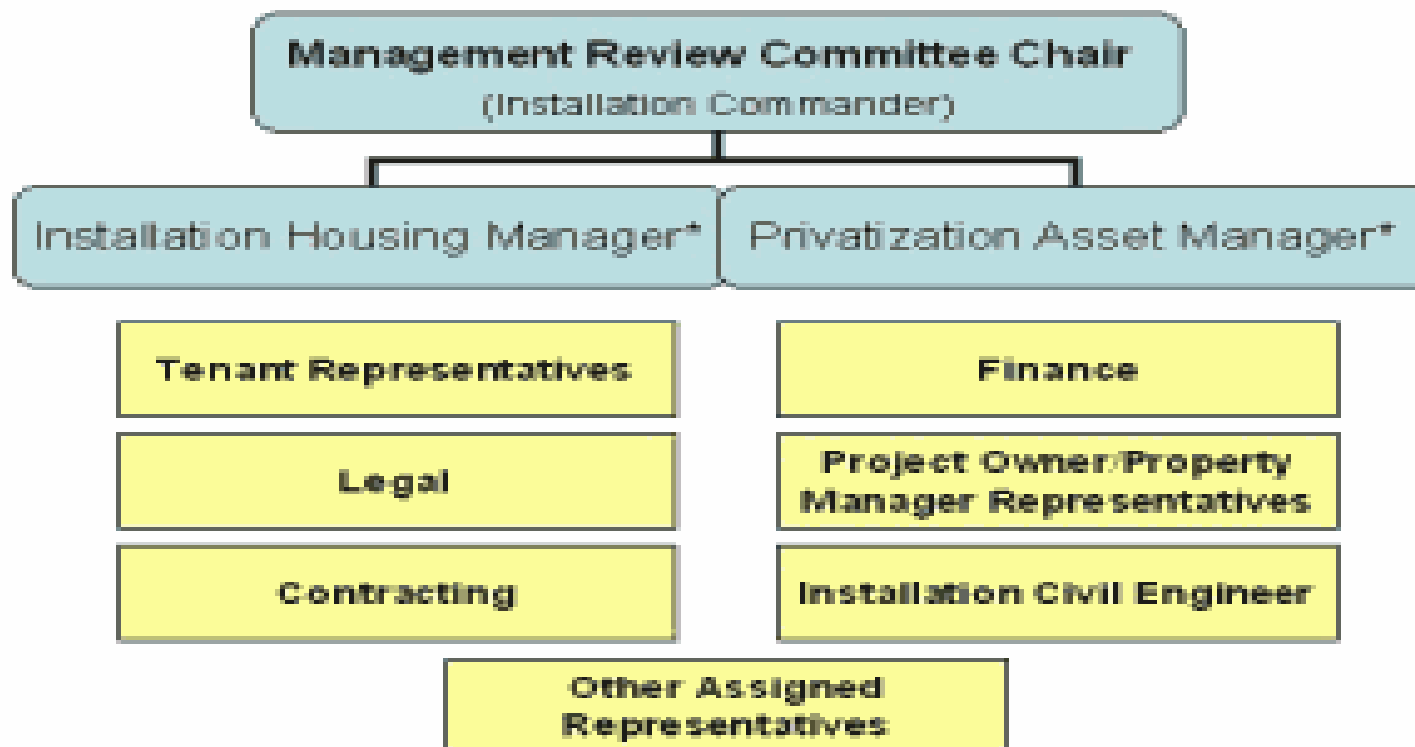
Role of Management Review Committee (MRC)

The purpose is to discuss post transaction closure issues and administrative matters including routine development and operations, tenant relations: quality of service, safety, security, tenant referral issues, budget approval recommendation, capital reinvestment expenditures. The membership includes the Installation Commander (Chair) and asset manager, appropriate other staff, Project Owner and local property manager, residents' representative.



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Role of Management Review Committee (MRC)



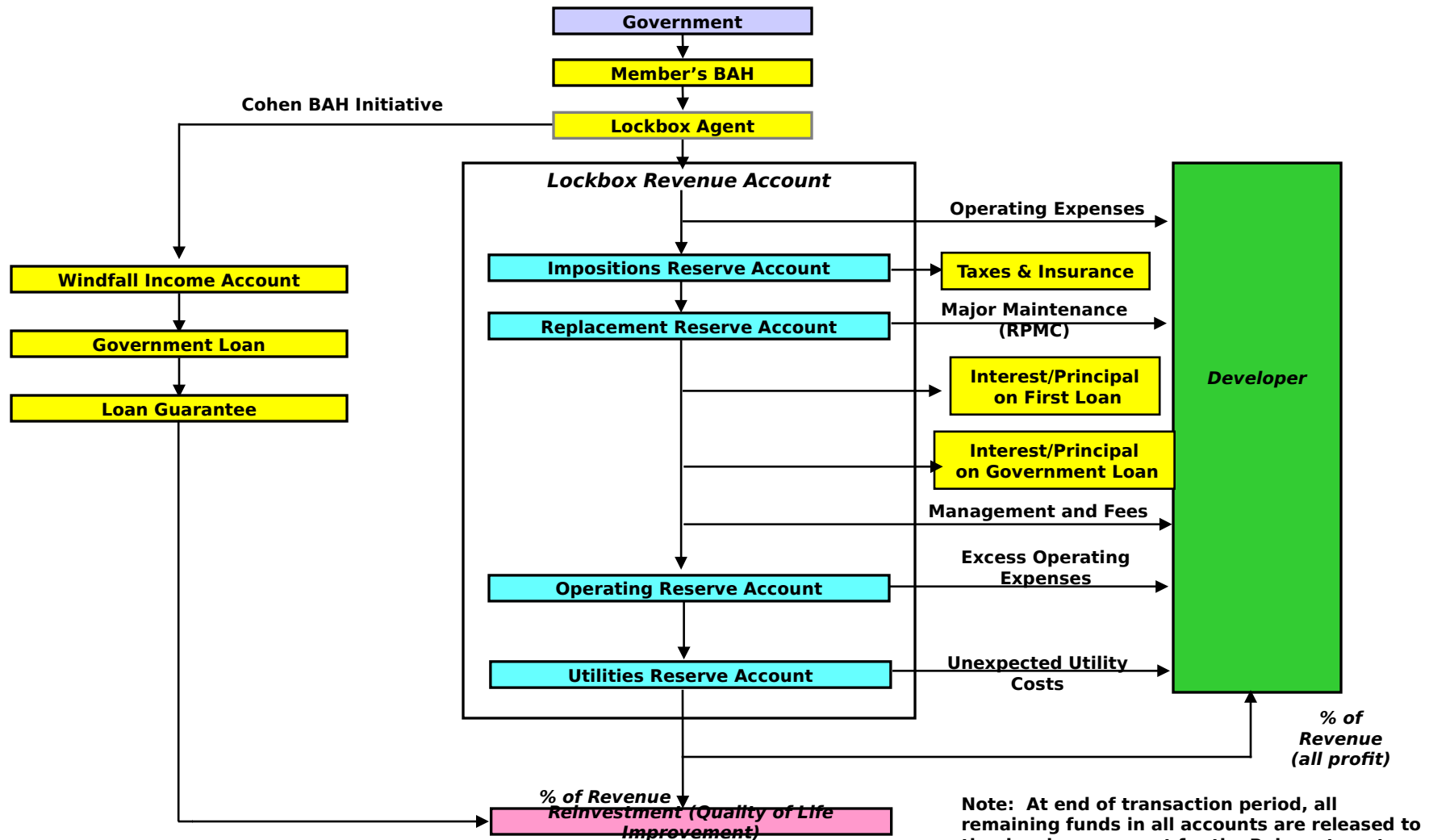
* Note: Installation Housing Manager and Asset Manager may be the same position dependent on a specific installation's structure. See the diagram below for an example staffing structure.



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AF Housing Privatization Tools

Lockbox Agreement (Waterfall Distribution)



Note: At end of transaction period, all remaining funds in all accounts are released to the developer, except for the Reinvestment Account, which will be transferred as directed by the Secretary.

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Lackland AFB (Phase 1)

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Including Highly Visible General Officers' Quarters



Langley GOQ



Eielson GOQ



Wright Patterson



Los Angeles GOQ

GOQ

GOQ



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Air Force Housing Vision



***“Highest Quality Housing and
Services for Members of the
World’s Best Air and Space
Force”***



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AF Projects To Date

<i>Installation</i>	<i>Scope</i>	<i>Award Date</i>	<i>Developer</i>	<i>Scored Cost (\$M)</i>	<i>Direct Loan (\$M)</i>	<i>Private Loan (\$M)</i>	<i>Dev. Cost (\$M)</i>	<i>Loan Guarantee</i>
Lackland 1	420	Aug-98	Faulkner	6.2	10.5	31.2	42.5	Yes
Robins 1	670	Sep-00	Hunt	12.6	22.3	25.6	56.7	Yes
Dyess	402	Sep-00	Hunt	16.3	28.9	0.0	31.2	No
Elmendorf 1	828	Mar-01	Aurora/Hunt	23.3	48.0	48.0	109.9	Yes
Wright-Patterson 1	1,536	Aug-02	Miller-Valentine/Woolpert/Hunt	10.8	22.0	64.6	108.9	Yes
Kirtland	1,078	Apr-03	Hunt	24.2	58.6	74.0	156.1	Yes
Patrick	552	Oct-03	CEI/Shaw	0.0	0.0	61.6*	99.2	No
Moody	606	Feb-04	CEI	9.7	23.0	24.8*	52.9	No
Little Rock	1,200	Jul-04	CEI/Shaw	6.1	24.5	69.0*	111.5	No
Buckley	351	Aug-04	IBI/Hunt	15.6	31.7	31.8	74	No
Total	7,643			124.8	269.5	430.6	843.1	
as of: 13 Aug 04				124.8	269.5	275.2	842.9	

* Financing has not closed; Loan TBD



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The Standard Approach

- **Non-FAR Real Estate Transaction**
- **50 Year Ground Lease of Existing Housing Area**
- **Deed or Bill of Sale of the Existing Improvements**
- **Gov't May Provide Loan and/or Limited Loan Guarantee**
- **Basic Allowance for Housing (BAH) Paid to Member**
- **Member's Rent = BAH minus Average Utility Costs**
- **Member Pays Rent by Allotment**
- **Member Pays Utilities to Developer or Other Provider**
- **Member not required to live there**
- **If not 95% occupied by military, then others permitted to rent**



Patrick AFB, FL
552 Units Status: Started 1
Oct 03



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Evolving AF Privatization Process

Air Force must meet the Defense Planning Guide Goal (DPG) to eliminate inadequate housing by end of FY2007— 40 Projects Left To Execute

- **Recent process changes**
 - **Incorporate Air Staff review board prior to ESG**
 - **Standard design**
 - **Change RFP process to abbreviated step II**
 - **Down select at step 1 and negotiate**



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What Leaders and Families Are Saying

“New housing is a force multiplier.”

Command CMSgt, Dyess AFB

***“Takes a lot off my plate, brought us
quality housing in no time, don’t know
how many years it would have taken with
MILCON.”***

Wing/CC, Elmendorf AFB, AK

“This is the best kitchen I’ve ever had!”

Spouse, Robins AFB, GA

“They come out immediately to fix things...it’

Spouse, Dyess AFB, TX



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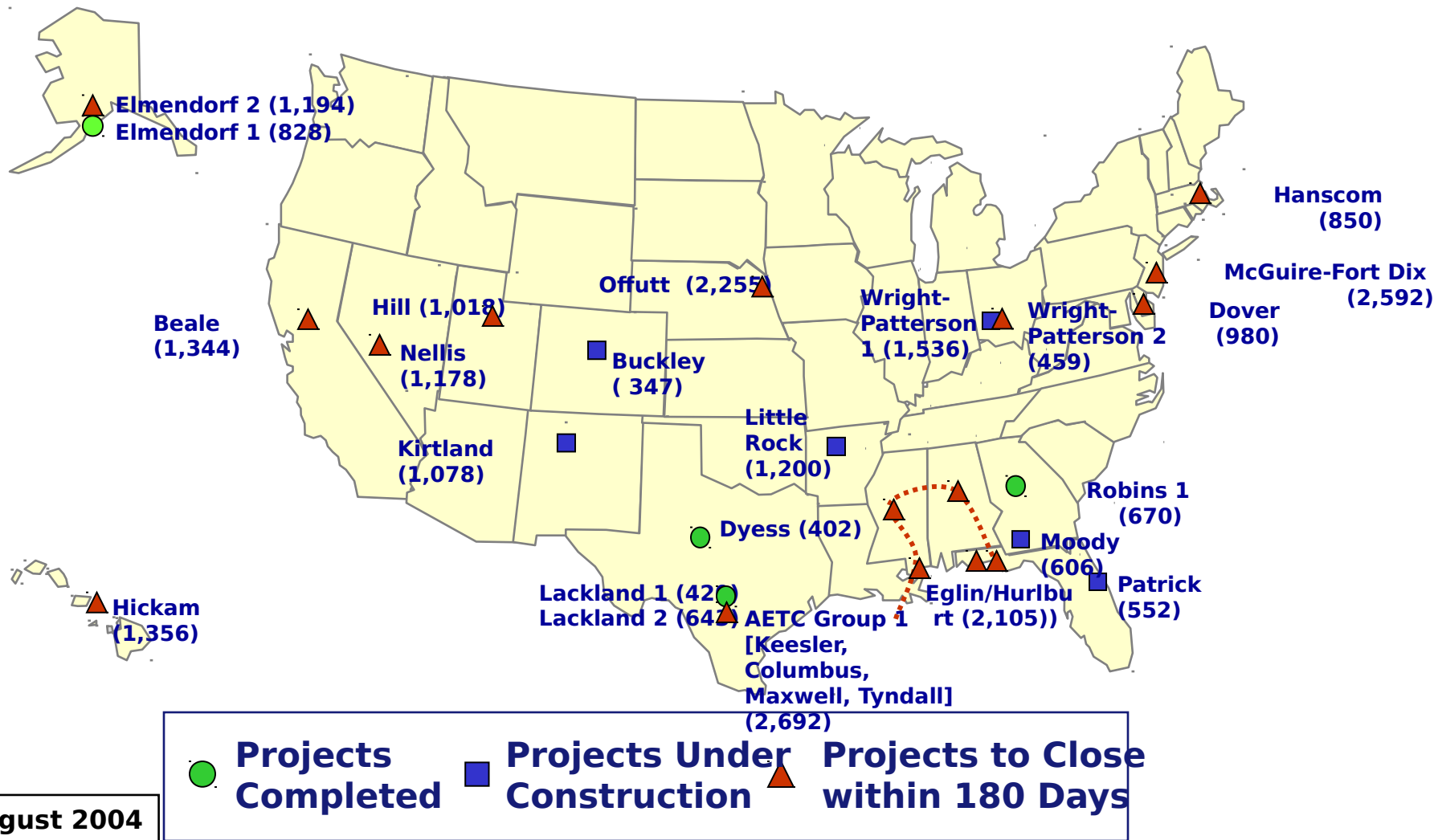
What Families and Leaders are Talking About





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Portfolio Map

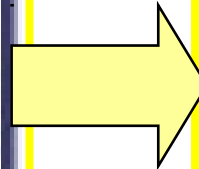




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Air Force Housing Privatization Approach

- **Air Force Model**
- **Life Cycle Cost**
- **Housing Waterfall**





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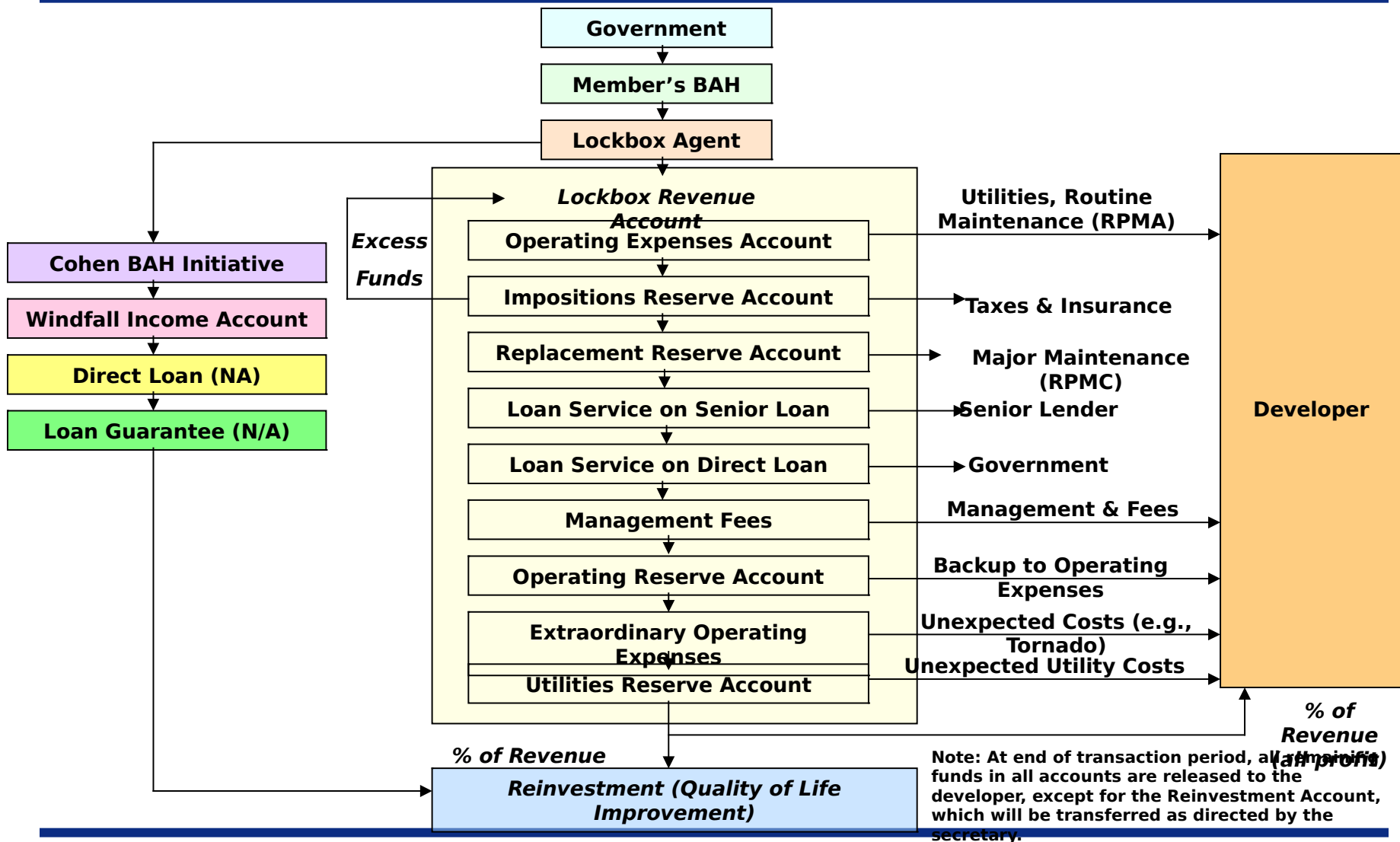
AF Housing Privatization Tools Lockbox

- **The Lockbox is an account established by the developer**
 - **Receives all project income and other funding**
 - **Pays out all expenditures in accordance with an established “waterfall” (priority list)**
 - **Conditions and terms are defined within the project within a legal document known as “The Lockbox Agreement”**
- **Administered by a neutral third party acceptable to both the developer and the Air Force - “The Lockbox Agent”**

Captures the funds to ensure the projects performance, quality and soundness.



Lockbox Agreement (Waterfall Distribution)





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Housing Requirements and Market Analysis

Purpose: Assess private sector's ability to house military by grade and bedroom requirements

- **Comply with OSD policy to rely on the local community first for housing**
- **Identify affordable and suitable housing within the market area**
- **Assume military families obtain fair share of affordable and suitable community housing**

■ **Analysis projected over a 5-year period**

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Housing Requirements and Market Analysis - Methodology

- **Forecast the number of families that can be absorbed into community rental housing each year based on:**
 - **Turnover rates - military and civilian**
 - **Civilian competition**
 - **Market response to additional military demand**

- **Determine the Total MFH Requirement**
 - **“Floor Requirement” (# of houses that MUST be on base)**
plus
 - **Number of military families who cannot be suitably housed in community**



Air Force Organization

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**President and
Commander-in-
Chief**



**George W.
Bush**

Secretary of Defense



**Donald H.
Rumsfeld**

**Secretary
of the Air Force**



Dr. James G. Roche

**Chief of Staff
of the Air
Force**



Gen. John P. Jumper